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Shopping For Everyday Life

First Capital Realty Inc. First Quarter Report 2004

First Capital Realty Inc.

First Capital Realty Inc. (TSX:FCR) is a growth-oriented real estate corporation focused on the ownership and development of neighbourhood and community supermarket anchored shopping centres in growing Canadian metropolitan areas. First Capital is also the second largest shareholder of Equity One, Inc. (NYSE:EQY), one of the largest shopping centre REITs in the southern United States.

Quarterly Financial Highlights

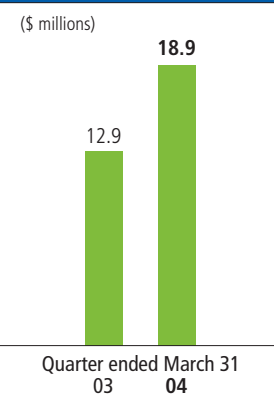
(\$000s, except per share data)	Three months ended March 31	
	2004	2003
Property rental revenue	\$ 48,454	\$ 35,948
Property operating costs	\$ 18,907	\$ 14,365
Net operating income	\$ 29,547	\$ 21,583
Funds from operations ("FFO")	\$ 18,865	\$ 12,863
FFO per common share (diluted)	\$ 0.35	\$ 0.34
Equity One, Inc. cash dividends	\$ 4,619	\$ 4,964
Equity One, Inc. cash dividends - \$US	\$ 3,507	\$ 3,289
Net income	\$ 7,892	\$ 14,916
Net income – adjusted (note 1)	\$ 10,492	\$ 7,516
Weighted average common shares (diluted)	56,064,087	40,336,384
Dividends paid per common share	\$ 0.29	\$ 0.28

Note 1: Adjustment in 2004 is an increase in amortization expense due to change in accounting for amortization of buildings of \$2.6 million, net of tax. Adjustment in 2003 is a non-cash dilution gain on investment in Equity One of \$7.4 million, net of tax.

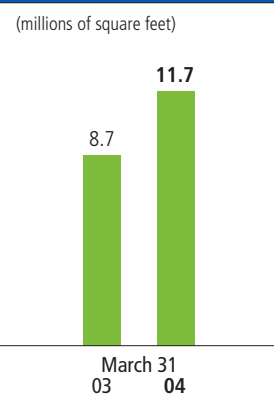
First Quarter Highlights

- Invested over \$98 million in acquisitions and development activities, adding eleven properties and one million square feet of gross leasable area.
- Net operating income of \$29.5 million, a 37% increase over the prior year first quarter.
- Funds from operations (FFO) of \$18.9 million, a 47% increase over the prior year first quarter.
- FFO per diluted share at \$0.35, compares to \$0.34 in the prior year year first quarter.
- Debt to market capitalization of 62%, compared to 82% at March 31, 2003.
- Issued 6.1 million shares resulting in gross proceeds of \$88.6 million.

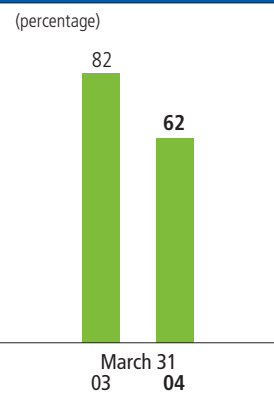
Funds from operations



Gross leasable area



Debt to market capitalization



Report to shareholders

(Including Management's Discussion and Analysis of Financial Position and Results of Operations)

During the first quarter of 2004, the Company's activities were focused on achieving our long term objectives of growing our business and our funds from operations and increasing our equity base and the public float of our common shares. We invested over \$98 million in income-producing properties, land for future development and in our current development and redevelopment projects; we expanded our capital base, issuing 6,148,000 common shares for gross proceeds of \$88.6 million; we continued to improve the performance of our existing properties; and we have accomplished this while maintaining the strength our balance sheet.

OPERATIONS REVIEW

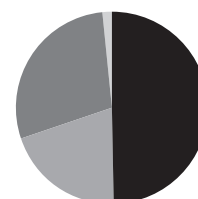
During the first quarter of 2004, eleven income-producing properties were acquired, ten in Quebec and one in Ontario, totalling approximately 845,000 square feet of gross leasable area. These shopping centres are typically anchored by supermarkets and/or drug stores and other tenants who provide consumers with daily necessities. The amount invested totalled \$75.3 million, including closing costs, and was funded with \$47.8 million in cash, \$9.8 million in assumed mortgages, \$14.9 million in new mortgage financing, and \$2.8 million with a vendor take-back mortgage. The Company continues to invest in and develop quality properties and grow a portfolio that is balanced geographically in Canada's largest urban markets.

Subsequent to the quarter end, the Company acquired Appleby Mall, a 173,000 square foot shopping centre located south of the QEW in Burlington, Ontario. Appleby Mall is anchored by a 69,000 sq. ft. Fortino's (Loblaws) supermarket; other tenants include Pharma Plus, Bank of Montreal, Dollarama, Fitness One, LCBO and The Beer Store. The centre is 96% leased and has some redevelopment potential. Acquisition cost totalled \$26.5 million, including closing costs, and was funded through assumption of \$14.9 million long-term debt at 6.4% interest, with the balance in cash. The Company also acquired a free-standing 37,500 sq. ft. IGA supermarket on Highway 15 in St. Jovite, Quebec for a total cost of \$4.5 million.

Three land sites for future development were also acquired in the quarter for a total investment of \$6.4 million, financed with cash and a \$2.1 million vendor take-back mortgage. Subsequent to quarter end the Company acquired a 22 acre prime land site east of Montreal at the intersection of Highways 40 and 640 for a total cost of \$3.8 million. Including these acquisitions, we now hold a total of 134 acres of land parcels and/or land adjacent to or in close proximity to our existing shopping centres for future development of 1.5 million square feet. This development capacity provides additional opportunities for growth and superior returns.

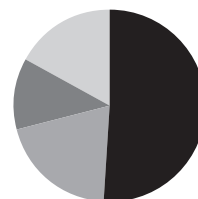
During the first quarter, 145,000 square feet of new space was brought on line as a result of our development and redevelopment activities, at an average lease rate of \$17.72. This highlights the future value of our investment in properties under development that are currently not generating income, but will contribute significantly to our future growth.

Annual minimum rent by province



Ontario	49.7%
Alberta	20.1%
Quebec	28.6%
Other	1.6%

Annual minimum rent by tenant type



Supermarkets and drug stores	51%
Other retailers and services	20%
Banks and government	12%
Discount retailers	17%

Report to Shareholders continued

Leasing activity during the quarter resulted in net new leasing of 176,000 square feet, including development coming on line, and renewal leasing of 96,000 square feet. The average rate per occupied square foot increased from \$12.66 at January 1, 2004 to \$12.78 before acquisitions. Same property net operating income grew by 1.9% in 2004 over the prior year period.

Portfolio occupancy of 93.3% at March 31, 2004 increased from 91.7% at March 31, 2003 and 93.1% at December 31, 2003.

Acquisitions during the quarter have an average lease rate per occupied square foot at \$10.22 and occupancy of 90.8% providing potential for future income growth as vacant space is leased and existing leases roll over.

FINANCIAL REVIEW

FFO for the three months ended March 31, 2004 totalled \$18.9 million or 35 cents per diluted common share, compared to \$12.9 million or 34 cents in the first quarter of 2003. The 47% increase in FFO is largely due to acquisitions and development and redevelopment coming on line. This has been achieved despite a 39% increase in the weighted average number of diluted common shares to 56.1 million in 2004 from 40.3 million in 2003. During the quarter a total of 6.1 million common shares were issued for total proceeds of \$88.6 million as follows:

- 3.4 million common shares in an equity offering on a bought deal basis for gross proceeds of \$54.9 million.
- 2.4 million common shares from the exercise of purchase warrants for proceeds of \$29.3 million.
- 0.3 million common shares to satisfy the semi-annual interest payment on the 7.0% convertible debentures, and through the exercise of options.

Our equity market activity this quarter has brought our total increase in shares outstanding since March 2003 to 21.6 million. Accordingly, our public float and the liquidity of our shares continues to grow.

Net operating income for the first quarter totalled \$29.5 million, compared to \$21.6 million in the same prior year period, an increase of \$7.9 million. The acquisition of eleven properties during the quarter contributed \$0.9 million to net operating income; the incremental effect of acquisitions in 2003 contributed \$5.0 million; completed development projects over the past twelve months contributed \$1.5 million; and same property net operating income contributed \$0.3 million. In January 2004, the Company began to recognize rent income from leases with contractual rent increases on a straight-line basis. The change in accounting policy was applied on a prospective basis. The impact of the implementation of this policy has resulted in an increase in net operating income of approximately \$0.5 million, and an increase to diluted FFO per share of less than one cent.

Mortgage and credit facilities interest costs were \$2.0 million higher in the first quarter of 2004 than in the first quarter of 2003. This is due primarily to an increase in mortgages and credit facilities payable from \$657 million at March 31, 2003 to \$829 million at March 31, 2004. This increase in debt outstanding has supported the acquisition and development and redevelopment activities. The average fixed interest rate declined to 6.8% at March 31, 2004 from 7.0% at March 31, 2003 due to lower interest rates on new mortgages and fixed long term credit facilities.

Portfolio growth primarily from acquisitions, development and redevelopment resulted in a 47% increase in FFO for the first quarter of 2004 compared to the same prior year period.

Report to Shareholders continued

Amortization expense increased in the first quarter to \$8.0 million in 2004 from \$2.8 million in 2003 due mainly to a change in accounting policy that was applied prospectively in January 2004. The amortization method for buildings changed to straight-line over the useful life of the building from the 5% sinking fund method. The impact of implementing this policy was an increase of \$4.1 million in amortization expense for the three months ended March 31, 2004. Amortization expense has also increased due to the acquisition of properties over the past twelve months.

The Company received dividends from Equity One of US\$3.5 million – a quarterly dividend of US\$0.28 per share, compared to US\$3.3 million or US\$0.27 per share in the first quarter of 2003. The Canadian dollar equivalent of this dividend is \$4.6 million in the 2004 compared to \$5.0 million in 2003. This reduction is due to the decline in the average exchange rate to \$1.32 for the three months ended March 31, 2004 from \$1.51 for the three months ended March 31, 2003.

In 2003, an \$11.8 million dilution gain was recognized on the investment in Equity One. This gain was non-cash and contributed \$7.4 million to after tax income in the prior year.

Net income for the first quarter of 2004 was \$7.9 million, or 8 cents per diluted share compared to \$14.9 million or 38 cents per diluted share in the prior year period.

OUTLOOK

The first quarter has seen First Capital Realty make progress towards our 2004 goals:

- to increase the size of the Company's income-producing portfolio while maintaining asset quality;
- to increase the cash flow from operations through increased rental rates and portfolio occupancy;
- to continue to grow the business at approximately the same debt ratio as at the 2003 year-end; and
- to increase the number of the Company's publicly traded common shares and the public market capitalization.

First Capital Realty's 2004 diluted FFO guidance remains at \$1.44 to \$1.49 taking into consideration a share price of \$16.00, the U.S. exchange rate at \$1.38, and the 2004 acquisitions forecast now at \$200 million.

First Capital Realty has a very focused and clear strategy on managing and growing the Company's business, and management believes it is well positioned to continue to deliver increased value to investors. Management remains optimistic that the Company will be able to continue expansion of its portfolio through accretive acquisitions and development activities through the remainder of 2004. The Company's superior locations and well maintained properties should continue to attract and retain tenants that provide customers with daily necessities. As a result, management is confident that the quality of the Company's real estate will continue to generate sustainable cash flows and produce growth and superior returns on investment over the long term.

Management is confident that the quality of the Company's real estate will continue to generate sustainable cash flows.

Consolidated Balance Sheets

(thousands of dollars)	March 31 2004	December 31 2003
	(unaudited)	(audited)
ASSETS		
Real Estate Investments		
Shopping centres (note 3)	\$ 1,295,886	\$ 1,201,330
Land and shopping centres under development	60,156	62,845
Investment in Equity One, Inc.	213,898	211,412
Loans, mortgages and other real estate assets	24,781	21,429
	1,594,721	1,497,016
Other assets	23,899	18,822
Amounts receivable	9,276	7,134
Cash and cash equivalents	7,892	79
Future income tax assets	15,578	15,638
	\$ 1,651,366	\$ 1,538,689
LIABILITIES		
Mortgages and credit facilities	\$ 829,412	\$ 786,301
Accounts payable and accrued liabilities	43,168	54,410
Convertible debentures payable (note 4)	18,776	20,234
Future income tax liabilities	12,938	12,750
	904,294	873,695
SHAREHOLDERS' EQUITY (note 5)	747,072	664,994
	\$ 1,651,366	\$ 1,538,689
See accompanying notes to the consolidated financial statements		

Consolidated Statements of Operations

(unaudited) (thousands of dollars, except per share amounts)	Three months ended	
	March 31 2004	March 31 2003
REVENUE		
Property rental revenue	\$ 48,454	\$ 35,948
Interest and other income	1,031	429
	49,485	36,377
EXPENSES		
Property operating costs	18,907	14,365
Interest expense (note 6)	12,447	10,430
Amortization	7,994	2,830
Corporate expenses	2,486	2,011
	41,834	29,636
Equity income from Equity One, Inc.	4,696	5,315
Income before the undernoted	12,347	12,056
Dilution gain on investment in Equity One, Inc.	—	11,805
Income before income and other taxes	12,347	23,861
Income and other taxes		
Current	1,181	1,466
Future	3,274	7,479
	4,455	8,945
Net income for the period	\$ 7,892	\$ 14,916
Net earnings per common share (note 7)		
Basic	\$ 0.08	\$ 0.49
Diluted	\$ 0.08	\$ 0.38
See accompanying notes to the consolidated financial statements		

Consolidated Statements of Deficit

(unaudited) (thousands of dollars)	Three months ended	
	March 31 2004	March 31 2003
Deficit, beginning of period	\$ (94,115)	\$ (85,757)
Net income for the period	7,892	14,916
Interest and accretion on equity component of convertible debentures (net of tax of \$2,302; 2003 – \$2,571)	(4,954)	(5,456)
Dividends	(11,965)	(5,502)
Deficit, end of period	\$ (103,142)	\$ (81,799)
See accompanying notes to the consolidated financial statements		

Consolidated Statements of Cash Flows

(unaudited) (thousands of dollars)	Three months ended	
	March 31 2004	March 31 2003
CASH FLOW PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net income for the period	\$ 7,892	\$ 14,916
<i>Items not affecting cash</i>		
Amortization	7,685	2,586
Amortization of financing fees	309	244
Loss on disposition of marketable securities	–	38
Non-cash compensation expense	91	–
Equity income from Equity One, Inc.	(4,696)	(5,315)
Dilution gain on investment in Equity One, Inc.	–	(11,805)
Future income taxes	3,274	7,479
Deferred leasing costs	(529)	(279)
Dividends received from Equity One, Inc.	4,619	4,964
Net change in non-cash operating items	(13,386)	(3,434)
Cash provided by operating activities	5,259	9,394
INVESTING ACTIVITIES		
Acquisition of shopping centres	(64,930)	(28,206)
Acquisition of land for development	(4,360)	(1,537)
Acquisition of intangible assets and liabilities	2,248	–
Expenditures on shopping centres	(2,470)	(2,902)
Expenditures on land and shopping centres under development	(12,516)	(11,880)
Investment in common shares of Equity One, Inc.	–	(21,389)
Advances to development partners	(1,099)	(1,373)
Investment in marketable securities	(252)	(56)
Disposition of marketable securities	–	74
Cash used in investing activities	(83,379)	(67,269)
FINANCING ACTIVITIES		
Proceeds of mortgage financings and credit facilities	35,058	87,414
Repayments of mortgages payable and credit facilities	(8,066)	(11,518)
Payment of financing fees	(340)	(542)
Issuance of common shares	83,204	–
Payments on convertible debentures, net of interest expensed	(2,639)	(3,356)
Payment of dividends	(21,355)	(10,721)
Cash provided by financing activities	85,862	61,277
Effect of currency rate movement on cash balances	71	(194)
Increase in cash and cash equivalents	7,813	3,208
Cash and cash equivalents, beginning of the period	79	365
Cash and cash equivalents, end of the period	\$ 7,892	\$ 3,573
SUPPLEMENTARY INFORMATION		
Cash income taxes paid	\$ 402	\$ 1,235
Cash interest paid (note 6)	\$ 15,988	\$ 14,481
See accompanying notes to the consolidated financial statements		

Notes to the Consolidated Financial Statements

March 31, 2004 (unaudited)

1 Summary of Accounting Policies

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The accounting principles used in these interim consolidated financial statements are consistent with those used in the Company's December 31, 2003 annual consolidated financial statements except for the changes in accounting policies described in note 2. These interim consolidated financial statements do not include all the information and disclosure required by Canadian GAAP for annual financial statements, and should be read in conjunction with the December 31, 2003 annual consolidated financial statements.

2 Changes in Accounting Policies

(a) Amortization of income properties

In accordance with recent amendments to Section 1100 of the CICA Handbook, effective January 1, 2004, the Company changed the amortization method for buildings from the 5% sinking fund basis to straight-line over the remaining useful life of the asset. The change in accounting policy was applied prospectively. The impact of the change in accounting policy was an increase of \$4.1 million in amortization expense for the three months ended March 31, 2004.

(b) Recognition of rental revenue

Effective January 1, 2004, the Company adopted amendments to Section 1100 of the CICA Handbook where base rental income from leases with contractual rent increases is recognized on a straight-line basis. The difference between the rental income recognized and the amounts contractually due under the lease agreements is recorded as deferred rent receivable and included in amounts receivable. The change in accounting policy was applied prospectively. Included in property rental revenue is the impact of the straight-lining of contractual rent increases of \$0.5 million for the three months ended March 31, 2004.

3 Shopping Centres

	March 31 2004	December 31 2003
(thousands of dollars)		
Land	\$ 259,876	\$ 237,057
Buildings and improvements	1,059,592	984,927
Deferred leasing costs	26,031	21,634
	1,345,499	1,243,618
Accumulated amortization	(49,613)	(42,288)
	\$ 1,295,886	\$ 1,201,330

During the first quarter of 2004, eleven properties totalling 0.8 million square feet were acquired for \$75.3 million. The properties were financed with \$47.8 million in cash, \$9.8 million in assumed mortgages, \$14.9 million in new mortgages and \$2.8 million with a vendor take-back mortgage.

The Company's interests in two leasehold properties (2003 – one), have a net book value of \$21.7 million (2003 – \$16.4 million) net of accumulated amortization of \$2.0 million (2003 – \$1.7 million).

Notes to the Consolidated Financial Statements continued

4 Convertible Debentures Payable

The following table summarizes the terms of the convertible debentures.

Interest Rate	Conversion Price	Maturity	Earliest Redemption Date
7.875%	\$16.43 per common share	January 31, 2007	January 31, 2003
7.00%	\$22.71 per common share	February 28, 2008	February 28, 2004
7.25%	\$24.40 per common share	June 30, 2008	June 30, 2004

The following table summarizes the components of the Company's convertible debentures.

(thousands of dollars)	March 31, 2004			December 31, 2003		
Interest Rate	Principal	Liability	Equity	Principal	Liability	Equity
7.875%	\$ 97,522	\$ 18,776	\$ 82,777	\$ 97,522	\$ 20,234	\$ 81,088
7.00%	99,999	–	102,377	99,999	–	102,153
7.25%	161,702	–	154,979	161,702	–	154,316
	\$ 359,223	\$ 18,776	\$ 340,133	\$ 359,223	\$ 20,234	\$ 337,557

During the first quarter of 2004, 229,051 (2003 – 303,810) common shares were issued to pay interest to the holders of 7.0% convertible debentures.

5 Shareholders' Equity

(thousands of dollars)	March 31 2004	December 31 2003
Share capital (a)	\$ 512,306	\$ 422,916
Equity component of convertible debentures (note 4)	340,133	337,557
Warrants (c)	4,606	6,591
Options and deferred share units (d) (e)	400	298
Cumulative currency translation adjustment (f)	(7,231)	(8,253)
Deficit	(103,142)	(94,115)
	\$ 747,072	\$ 664,994

(a) Share Capital

The following table sets forth the particulars of the issued and outstanding shares of the Company:

	Number of Common Shares	Stated Capital (thousands of dollars)
Issued and outstanding at December 31, 2003	35,109,754	\$ 422,916
Public offering of common shares (b)	3,366,000	54,866
Payment of interest on convertible debentures	229,051	3,500
Exercise of warrants (c)	2,481,140	31,262
Exercise of options (d)	72,000	938
Issue costs, net of income taxes of \$702,000	–	(1,176)
Issued and outstanding at March 31, 2004	41,257,945	\$ 512,306

(b) Public Offering of Common Shares

On March 11, 2004, the Company issued 3,366,000 common shares at a price of \$16.30 per common share, for total gross proceeds of approximately \$54.9 million.

Notes to the Consolidated Financial Statements continued

5 Shareholders' Equity continued

(c) Warrants

A total of 2,481,140 (2003 – nil) share purchase warrants were exercised at \$11.80 per share resulting in proceeds of \$29.3 million (2003 – \$nil) during the three months ended March 31, 2004. The equity component of the warrants exercised, \$2.0 million (2003 – \$nil), was transferred to share capital.

At March 31, 2004, there were 3,295,289 outstanding warrants (December 31, 2003 – 5,776,429) exercisable at \$11.80 per share and 1,000,000 outstanding advisory warrants (December 31, 2003 – 1,000,000) exercisable at \$13.53 per share.

(d) Stock Options

The Company is authorized to grant up to 2,125,000 (2003 – 2,125,000) common shares to the employees, officers and directors of the Company and third party service providers including its property manager. Options granted by the Company generally expire ten years from the date of grant and vest over three years. The outstanding options have exercise prices ranging from \$12.42 to \$15.65.

	Three months ended			
	March 31 2004		March 31 2003	
	Weighted Average		Weighted Average	
	Options	Exercise Price	Options	Exercise Price
Outstanding, beginning of period	1,318,000	\$ 13.44	1,199,500	\$ 12.92
Exercised	(72,000)	\$ 12.99	–	–
Cancelled	(5,000)	\$ 15.65	(15,000)	–
Outstanding, end of period	1,241,000	\$ 13.45	1,184,500	\$ 12.90
Options vested at end of period	891,833	–	724,500	\$ 13.05
Weighted average remaining life (years)	7.2		7.7	

In January 2002, the Company granted 774,500 options which had an approximate fair value of \$0.5 million, of which \$0.1 million would be the pro forma cost for the three months ended March 31, 2004 (2003 – \$0.1 million), in the determination of pro forma net earnings for the three months ended March 31, 2004 of \$7.7 million (2003 – \$14.9 million) and pro forma basic and diluted net earnings per share of \$0.08 (2003 – \$0.49 and \$0.38).

(e) Share Unit Plans

On June 23, 2003, shareholders of the Company approved a Directors Deferred Share Unit Plan, a Restricted Share Unit Plan and a Chief Executive Officer Restricted Share Unit Plan. A total of 350,000 common shares have been reserved for issuance under these plans. As at March 31, 2004, 19,223 units have been issued under the Directors Deferred Share Unit Plan, and \$0.1 million has been recorded as an expense in the three months ended March 31, 2004 (2003 – \$nil). On March 25, 2004, 30,000 units were issued under the CEO restricted share unit plan and 15,000 units were issued under the employee restricted share unit plan.

(f) Cumulative Currency Translation Adjustment

The cumulative currency translation adjustment represents the cumulative unrecognized exchange adjustment on the net assets of the Company's subsidiaries that operate in the United States. The change for the period reflects the impact of U.S. currency movements on these net assets.

Notes to the Consolidated Financial Statements continued

5 Shareholders' Equity continued

The rate of exchange in effect on March 31, 2004 was US\$1.00 = Cdn\$1.31 (December 31, 2003 – Cdn\$1.30). The average rate of exchange for the three months ended March 31, 2004 was US\$1.00 = Cdn\$1.32 (2003 – Cdn\$1.51).

6 Interest

(thousands of dollars)	Three months ended	
	March 31 2004	March 31 2003
Mortgage and credit facility interest expense	\$ 11,985	\$ 9,182
Debenture interest expense	–	282
Convertible debenture interest expense	462	966
Interest expense	12,447	10,430
Payments on convertible debentures, net of interest expensed	6,139	6,856
Less: convertible debenture interest paid in common shares	(3,500)	(3,500)
Interest capitalized to land and shopping centres under development	911	656
Other	(9)	39
Cash interest paid	\$ 15,988	\$ 14,481

7 Per Share Calculations

The following tables set forth the computation of per share amounts.

(thousands of dollars, except per share)	Three months ended	
	March 31 2004	March 31 2003
Basic income		
Net income	\$ 7,892	\$ 14,916
Accretion on equity component of convertible debentures, net of tax	(4,954)	(5,456)
Basic net income available to common shareholders	\$ 2,938	\$ 9,460
Diluted income		
Net income for the period	\$ 7,892	\$ 14,916
Interest expense recorded on liability portion of convertible debentures, net of tax	289	604
Diluted net income available to common shareholders	\$ 8,181	\$ 15,520
Denominator		
Weighted average shares outstanding for basic per share amounts	37,480,009	19,338,504
Conversion of outstanding convertible debentures	16,966,040	20,798,504
Outstanding share purchase warrants	1,383,338	199,376
Outstanding options	234,700	–
Denominator for diluted net income available to common shareholders	56,064,087	40,336,384
Basic earnings per common share	\$ 0.08	\$ 0.49
Diluted earnings per common share	\$ 0.08	\$ 0.38

Notes to the Consolidated Financial Statements continued

7 Per Share Calculations continued

The following securities were not included in the diluted per share calculation as the effect would have been anti-dilutive.

	Exercise Price	Number of shares if converted or exercised	
		March 31 2004	March 31 2003
Common share options	\$ 12.42	–	774,500
Advisory warrants	\$ 13.53	–	1,000,000
Common share options	\$ 13.82	–	410,000

8 Segmented Information

The Company and its subsidiaries operate in the shopping centre segment of the real estate industry in both Canada and the United States.

Operating income by geographic segment for the three months ended March 31, 2004 is summarized as follows:

(thousands of dollars)	Canada	U.S.	Total
Property rental revenue	\$ 48,454	\$ –	\$ 48,454
Property operating costs	18,907	–	18,907
Net operating income	29,547	–	29,547
Equity income from Equity One, Inc.	–	4,696	4,696
Interest and other income	1,031	–	1,031
Interest expense	11,273	1,174	12,447
Corporate expenses	2,423	63	2,486
Operating income before amortization	16,882	3,459	20,341
Amortization	7,964	30	7,994
Operating income	\$ 8,918	\$ 3,429	\$ 12,347

Operating income by geographic segment for the three months ended March 31, 2003 is summarized as follows:

(thousands of dollars)	Canada	U.S.	Total
Property rental revenue	\$ 35,948	\$ –	\$ 35,948
Property operating costs	14,365	–	14,365
Net operating income	21,583	–	21,583
Equity income from Equity One, Inc.	–	5,315	5,315
Interest and other income	451	(22)	429
Interest expense	9,400	1,030	10,430
Corporate expenses	1,801	210	2,011
Operating income before amortization	10,833	4,053	14,886
Amortization	2,807	23	2,830
Operating income	\$ 8,026	\$ 4,030	\$ 12,056

Notes to the Consolidated Financial Statements continued

9 Contingencies and Commitments

- (a) The Company is contingently liable, jointly and severally, for approximately \$19.5 million (December 31, 2003 – \$19.1 million) to various lenders in connection with loans advanced to its joint-venture partners secured by the partners' interest in the joint ventures.
- (b) The Company is contingently liable for letters of credit in the amount of \$10.7 million (December 31, 2003 – \$11.6 million) issued in the ordinary course of business.
- (c) The costs to complete projects currently under development are estimated at \$38 million of which \$21 million has been committed.

10 Subsequent Events

- (a) In April 2004, the Company acquired a property in Burlington, Ontario, for \$26.5 million, totalling 173,000 square feet. The purchase price for this transaction was satisfied by \$11.6 million in cash and \$14.9 million in long-term debt at a fixed rate of 6.4%.
- (b) In April 2004, 1,000,000 advisory warrants were exercised at \$13.53, resulting in the issuance of 1,000,000 common shares, and proceeds of \$13.5 million.
- (c) In April 2004, 50,000 units were issued under the CEO restricted share unit plan and 25,000 units were issued under the employee restricted share unit plan.

11 Comparative Amounts

Certain comparative amounts have been reclassified to reflect the current period's presentation.

Shareholder Information

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ANNUAL MEETING

The annual general meeting of shareholders will be held on June 8, 2004 at the TSX Conference Centre
130 King Street West
Toronto, Ontario at 4:30 p.m.

TORONTO STOCK EXCHANGE LISTINGS

Common Shares:	FCR
7.875% convertible debentures:	FCR.DB.B
7% convertible debentures:	FCR.DB.C
7.25% convertible debentures:	FCR.DB.D
Warrants:	FCR.WT

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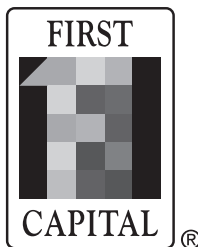
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Deloitte & Touche LLP
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